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FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM MEMBER HANDBOOK

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Lucie Willson ..... Administrative Officer

Contact us at:
1712 NINTH AVENUE
P.O. BOX 200131
HELENA, MT 59620-0131
Phone: 406-444-3154
Toll Free: 877-275-7372
E-mail: mpera@state.mt.us

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Preface

This *Firefighters' Unified Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Firefighters' Unified Retirement System (FURS). It is intended to give you a general idea of your benefits and to acquaint you with the FURS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date a few years after it is published. This handbook is not a final source of the law and rules. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Information in this handbook is based on 1999 law. Benefits are based on the law in effect at the time of your termination from employment; thus, some information found here may not apply in specific cases. If this handbook differs with law or rules as the Board interprets them, the law or rules will apply. This handbook replaces all previous FURS member handbooks.

Montana Code

The law governing the FURS may be found in Title 19, Chapters 2 and 13, Montana Code Annotated (MCA). MCA is available on line at: leg.state.mt.us/services/legal/laws.htm

References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis throughout this publication.

Introduction

Retirement Security for our Members Since 1981

The Firefighters' Unified Retirement System (FURS) is a public pension plan for Montana firefighters employed by first- and second- class cities and other cities that wish to adopt the plan. In 1981, the Legislature created the FURS to grant a retirement, disability, or death benefit to plan members and their beneficiaries. As of June 30, 2000, membership of the FURS consisted of the following:

FURS Membership

Number of participating employers	14
Active plan members	419
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	5
Non-vested	52
Retirees and beneficiaries receiving benefits:	
Service Retirements	433
Disability Retirements	9
Survivor Benefits	26

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor to administer the FURS and seven other retirement systems. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms "we," "us," the MPERA, and Board interchangeably.

The Montana State Firemen's Association advises the Board and meets with the Board to discuss matters relating to FURS. The association may review all medical and legal information relating to individual benefits, provided written permission to release the informa-

tion is obtained from the member or the member's survivor. (§ 19-13-115, MCA)

Money that you pay into the FURS earns income and helps pay for your benefits. At the MPERA, we keep track of your money in your own account and credit your account with interest. We combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund goes back into the trust fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (§19-2-408 and 19-2-505, MCA)

Every two years, an actuary must rate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may initiate increases in benefits. Benefits are set by law, and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§19-2-405, MCA)

FURS is a defined benefit retirement system. The benefits you receive are based on your years of service and your final average compensation rather than the amount of money you contribute and the interest which accrues to your account

Section I: Membership

1. Membership Enrollment

Membership is mandatory for all full-paid firefighters employed by first-and second-class cities, and those other cities which choose to provide coverage under the Firefighters' Unified Retirement System (FURS). Membership service will begin for an individual firefighter on the first day of employment, or on July 1, 1981, if the firefighter was employed by an employer providing FURS coverage on that date, whichever is later.

In the case of a city that chooses coverage under the FURS after July 1, 1981, firefighters become members of the FURS either on their first day of employment with that city, or on the effective date of the city's election of the FURS coverage, whichever is later. (§ 19-13-301, MCA)

FURS membership is optional for a part-paid firefighter. Once they become an active member, a part-paid firefighter must remain an active member until service as a firefighter is terminated. (§ 19-13-301 [3], MCA)

PERS Optional Membership

A Public Employees' Retirement System (PERS) member who is first employed in a FURS-covered position after the age of 45 years, may elect to remain in the PERS. A firefighter who wishes to remain in the PERS must make this election within one month of being hired into the FURS-covered position. (§ 19-13-301[7], MCA)

Membership Cards

New employees must complete a membership card upon starting work in a job covered by the FURS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk who will send it to us. The information on it is necessary to administer your retirement. (ARM 2.43.402; § 19-2-801, MCA)

The FURS will not pay a benefit or refund unless you have a membership card on file with us. A membership card is a vital record; you must keep it up-to-date. Update the card whenever any of the information on the card changes. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card.

NOTE: The membership card allows you to list one or more beneficiaries in addition to your spouse and dependent children. Your spouse or dependent children are your beneficiaries under law. We request you name a beneficiary in the event of your death without leaving a "statutory" beneficiary. The beneficiary is eligible to receive any balance in a member's account but does not receive monthly benefits. (See pages 25-26 for information on death benefits.)

Ineligibility for Other Retirement Plans

An active member cannot be covered under any other mandatory retirement plan while the member is covered under the FURS. This includes any retirement plan to which an employer is required to contribute on the firefighter's behalf. (§ 19-13-302, MCA)

2.Contributions

Contributions to the FURS come from you, your employer and the state of Montana. The following is an explanation of contributions to the FURS and what is expected of you and your employer.

Member Contributions

All members must pay part of their gross pay to the FURS. Member contributions are required as follows: (§ 19-13-601, MCA)

- Members not covered under the Guaranteed Annual Benefit Adjustment (GABA) (see pages 27-28 for an explanation of the GABA), pay 9.5%.
- Members covered under the GABA, pay 10.7%.

Interest: Your FURS account earns interest and we add it to your account each month. Currently, the interest rate is 5%, compounded annually. Each year the Board sets the rate based on trends and interest rates earned by short-term U.S. Treasury notes and bills.

The interest credited to your account will not affect the amount of your monthly retirement benefit. If you end your FURS-covered employment and leave your money on account, it will continue to collect interest.

Tax-Deferred: Since July 1985, the money you contribute to the FURS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the FURS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to the FURS. If you have taxed money in your account when you retire or take a lump sum refund, then some of your refund or monthly benefit will be tax exempt.

Purchase of Service: When you are purchasing refunded service and other types of optional service, you may contribute amounts beyond your regular contributions. These additional payments are tax-deferred if you authorize payment by a payroll deduction contract. If these contributions are not made through payroll deduction, they are not tax-deferred. You will receive interest on service purchase payments at the same rate you receive interest on your regular contributions. All interest paid to a member's account is tax-deferred. (§19-2-704, MCA)

Employer Contributions

Your employer also contributes an amount equal to 14.36% of their total FURS-covered payroll to the pension trust fund. Employer contributions are not refundable and provide "pooled" funds for retirement, disability, and death benefits.
(§ 19-13-605, MCA)

State Contribution

The state of Montana annually contributes an amount equal to 32.61% of the total compensation paid each year to all FURS members. These contributions are made to the retirement trust fund by the State Auditor as provided in § 17-7-502, MCA. (§ 19-13-604, MCA)

Refund of Contributions

Vested members who end FURS-covered employment may leave their money on account; it will continue to earn interest. They may also receive a refund of the money in their account in lieu of the benefits. To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member, and one for the employer. You must complete the member section, then give it to your employer. Your employer will complete the application and send it to us. If you have been inactive for more than three months, you should contact us directly to apply for a refund. (§19-2-602, MCA)

If you are not a vested member (less than five years of membership service) at the time you terminate service and have less than $5,000 in accumulated contributions (member contributions plus interest), you must request a lump sum refund. You may also make a written application to have your eligible contributions rolled over to an IRA or qualified retirement plan. Inactive nonvested members who have more than $5,000 in accumulated contributions may leave their money on account and it will continue to earn interest. However, inactive nonvested members are eligible only for a refund of the member's accumulated contributions and will have no right to any form of FURS benefit. (§ 19-2-602 and 19-13-301[6], MCA)

When you receive a refund, you are no longer a member of FURS. You will have no right to any form of FURS benefit.

Processing Refund: We cannot process your refund before your employer sends us the application and the final payroll information. This process may take 6 to 8 weeks from the date you get your last paycheck. Extending your last day of work into a new pay period or month may increase the processing time.

If, after receiving a refund, you accept a FURS-covered job, you must again become a member. We will consider you a new member without credit for the refunded service. You may purchase the refunded service to reinstate it for credit. For more details, see Purchase of Service, on page 14-16. (§19-2-603, MCA)

NOTE: If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information see taxes on refunds, on pages 29-30.

3. Service

The amount of time you work and contribute to the FURS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a FURS-covered job, whether you work full- or part-time, and your purchase of additional service.

Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other FURS benefits. You vest for retirement after you accrue five years of membership service. Once vested, you are entitled to benefits if otherwise eligible. You earn membership service for all periods of service, whatever the hours you work or the pay you receive. (§19-2-303 and 19-2-702, MCA)

Service Credit

Service credit is used to calculate the amount of your retirement benefit. You accumulate one month service credit for each month your employer reports you were compensated for at least 160 hours of service. A member compensated for less than 160 hours for any month will receive proportional service credit. For example, if you were paid for 80 hours during a given month, you earn 0.5 months of service credit. (§19-2-701, MCA and ARM 2.43.406-410)

Part-time Service

Upon retirement, the MPERA will adjust either your service credit or final average compensation if you work part-time. We will adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will not see the adjustment until retirement.

Purchase of Service

Eligible members may purchase various types of service identified on pages 15-16. Contact us for complete details about your eligibility. **A written request to initiate the cost statement is required.**

To request a cost statement to purchase service, you must write to us and provide the following information: your full name (including any former names), a current address, Social Security Number, and the type of service you wish to buy. You should also send us any documents that relate to the service. Your former employer can usually provide you copies of relevant documents. We will review the request and send you a cost statement for buying any service for which you are eligible. (ARM 2.43.428)

After 30 days, the cost statement is not valid and you must contact us for an updated cost statement. Only the MPERA can give you a cost statement. A cost statement from any other source may not be used.

Payment for Purchase: You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by tax-deferred payroll deduction. Inactive vested members, members not paid monthly, or members who wish to self-pay, may send payments directly to the MPERA. (These payments are not tax-deferred.) If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase will be prorated. We will track your monthly payments in an additional contribution account until the service purchase is complete. Then we will transfer the money to your regular account and credit your account with the service. Vested members may purchase most types of service at any time before retirement. Be aware that any delay may increase the cost because of added interest or higher salaries. If the service purchase

is not completed before the member retires, the service credit will be pro-rated; or, the member may make a lump sum payment to complete the service purchase. (§ 19-2-704, MCA)

Service Which May Be Purchased:

1. **Refund**: If you received a refund for previous service, you may buy this refunded service. Refunded service means you terminated your job, and the MPERA paid you the contributions and interest in your account. To buy the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the contributions would have earned if you had left it on deposit. (§ 19-2-603, MCA, and ARM 2.43.420 and 2.43.422)

2. **Montana Public Service**: Members may also buy service refunded from other Montana statewide retirement systems. If the member is an inactive member of another system, the service and contributions may be transferred directly into the FURS. Contact us in writing for eligibility and a cost statement. (§ 19-13-404, MCA; ARM 2.43.420 and 2.43.422)

3. **Other Montana Public Service**: A member may purchase service credit for other full-time public service performed for the state or a political subdivision, if the service is not credited in any other retirement system. (§ 19-13-404, MCA)

4. **Military:** You may buy up to five years of active military service if you have at least 15 years of service credit. A member may purchase one year of military service for each year of FURS service credit in excess of 15 years (e.g., a member with 16 years and seven months of service credit may purchase up to one year and seven months of military service). Military service purchased by a member will be used for the purpose of calculating retirement benefits. If you have retired and are receiving a retirement from the military, you may not buy that military service. (§19-13-403, MCA; ARM 2.43.437)

5. Additional Service ("1-for-5") Purchase: For each five-year period of membership service, you may buy one year of additional service credit. You may buy no more than five years of additional service. Additional service is not membership service and can not make you eligible to retire. We will include all service credit when calculating the amount of your retirement benefit. (§ 19-13-405, MCA; ARM 2.43.432)

Limitations: Current law limits your purchase of military and additional service, to a combined total of five years. For example, suppose you had 20 years of state service and three years of military service. Without any limit, you would be eligible to buy seven years: four years of additional and three years of military. However, current law limits you to only five years, but it can be any combination of the above service. (§19-13-405, MCA)

Personal Statement

Each August the MPERA will send you a statement with information concerning your retirement account. If you have part-time service, the total service reported in your statement may seem wrong. The service reflects the service reported by your employer. When your employer reports you worked less than 160 hours, the system gives you less than one month of service credit. We will make adjustments for part-time service when you retire. Your service is adjusted to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your final average compensation may be based on that full-time service. When your final average compensation is based on full-time service, we don't adjust your part-time service.

Carefully review the statement to verify all the information is correct. If you have corrections or changes to any of the personal information, make a copy with the changes and send them to the MPERA. If you have questions concerning account information as it appears in your statement, please submit them to the MPERA in writing.

NOTE:
We will correct mistakes in your account or service when we identify them, or at least before your benefit is final. Mistakes will not bind the MPERA to pay a benefit for which you are not eligible. If you think the service credit on your statement is wrong, please inform us in writing. Provide specific information, including your current mailing address.

Section II: Benefits

To receive retirement benefits under the FURS defined benefit plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you.

1. Qualifying for Benefits

Vesting

When you complete five years of **membership service** (explained on page 13), you become a vested member. Once vested, the FURS guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

Remember . . .
Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from the FURS.

You are an active member if you are in a FURS-covered job and making the required contributions to the system. If you are an active vested member, you may terminate your FURS-covered employment and leave your contributions in the FURS. You may apply for monthly retirement benefits when you are at least age 50. You could also take a refund of your account, rather than a retirement benefit. When you withdraw your account, you give up all vested rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement benefit. (§ 19-13-301, MCA and ARM 2.43.603)

Inactive Members

An active member becomes an inactive member of the FURS on the date when any one of the following first occurs: (§ 19-13-301, MCA)

1. The date of termination of employment in the FURS-covered position.
2. The 31st day of an approved absence from a FURS-covered position.
3. The date a member is no longer employed because of a reduction in the number of firefighters employed in the fire department.

Inactive Vested Members: A member does not need to be an active member to be vested. You become an inactive vested member when you become inactive, you are a vested member (five years of membership service), and do not withdraw your FURS account. Inactive vested members may buy any service for which they are eligible. Inactive vested members may apply for retirement after they meet the minimum age requirement. You give up your vested right to retirement benefits by taking a refund of your account.

Inactive Non-vested Members: If you quit your job before you vest, you may not continue to buy service. You will not be eligible for a retirement benefit. However, you are eligible for a refund of the money in your account. See page 11-12 for information on refunds.

2. Service Retirement

FURS members are eligible to receive benefits upon meeting certain requirements. The FURS defined benefit plan provides benefits for members as outlined on the following pages.

Service Retirement

You are eligible for service retirement benefits when you complete 20 years of membership service at any age. (§ 19-13-701, MCA)

As stated earlier, the FURS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate your benefit. The FURS retirement benefit is calculated differently for a member hired before July 1, 1981, than for a member hired on or after July 1, 1981. (§ 19-13-704, MCA)

1. **For a member <u>hired on or after July 1, 1981</u>**, the basic formula for a monthly service retirement benefit in the FURS is explained below: (§19-13-704, MCA)

2.5% x years of service credit x Final Average Compensation

An explanation of the factors follows:

(A) Your **years of service credit** is the amount of full time service you earned (see page 13)

(B) .025 (2.5%) is the factor that determines how much of your final average compensation you get for each year of service credit.

(C) Final Average Compensation (FAC) is the average of your monthly compensation for the last 36 months of service.

Service Retirement Sample Calculation (For members hired on or after July 1, 1981.)

Kenny Retire, Age 45
Service Credit ..... 20 years
Final Average Compensation (FAC) ..... $3,000 per month
Account Balance at Retirement $35,450

Benefit Formula: 2.5% x years of service credit x FAC

.025 x 20 x $3,000 = $1,500

A benefit of at least $1,500 is guaranteed to Kenny for the remainder of his life. Upon his death, a monthly benefit equal to the amount of Kenny's benefit will continue to his surviving spouse, if there is one, for the remainder of her life. In the absence of a surviving spouse, the benefit would continue to a dependent child (or children, collectively) until there is no dependent child. A dependent child is a child under the age of 18 years or unmarried and under 24 years of age if attending an accredited postsecondary educational institution as a full-time student. In the absence of a surviving spouse or dependent child, and if Kenny had not received benefits equal to at least $35,450 by the time of his death, his designated beneficiary would receive a lump sum payment of any balance in his account. (See pages 25-26 for an explanation of Death Benefits.)

2. **For a member hired before July 1, 1981, who is not covered under the GABA,** the basic formula for a monthly service retirement benefit in the FURS is explained below: (§19-13-704, MCA)

The formula used to calculate the retirement benefit is the greater of the following calculations:

2.5% x years of service credit x Final Average Compensation
(The same formula and factors as the service retirement benefit on the previous page.)

Or

Less than 20 years of service:
2% x last regular monthly compensation x years of service credit

20 or more years of service:
50% x last regular monthly compensation, for the first 20 years of service; plus 2% x last regular monthly compensation x years of service credit over 20 years

Age 50 Retirement

A member with at least five years of membership service who terminates service prior to becoming eligible for service retirement benefit may elect to leave their accumulated contributions on deposit. **When the inactive member reaches 50 years of age,** they are eligible to receive a service retirement benefit. The benefit will be calculated using the same formula as for a service retirement.

Involuntary Retirement

A member hired prior to July 1, 1981, and involuntarily discontinued from service is eligible for an involuntary retirement benefit. A member is considered involuntarily discontinued from service only if the city terminates all full-paid firefighters. The benefit paid to an eligible member or survivor must not be less than:

1. For a member with at least 20 years membership service, one-half the average compensation paid to all newly confirmed full-paid firefighters participating in FURS; or
2. For a member with at least five but less than 20 years of membership service, 2.5% of the average monthly compensation paid to all newly confirmed full-paid firefighters participating in FURS for each year of service. (§19-13-1007, MCA)

3. Disability Retirement

A member suffering a disability, is entitled to a disability retirement benefit, regardless of the length of the member's service. The disability does not have to be work-related but the disability must occur while the member was employed in an FURS-covered position. The monthly disability retirement benefit will begin on the day following the member's termination from service. (§ 19-2-303 and 19-13-802, MCA)

Disability Benefit

A member who is disabled before earning 20 years of service credit must receive a disability retirement benefit equal to: one-half the member's final average compensation.

If a member has more than 20 years of service credit at the time of the injury or disability, the disability retirement benefit will be equal to 2.5% of the member's final average compensation for each year of service credit. (§ 19-2-303 and 19-13-803, MCA)

Disability Reviews

At its discretion, the Board may review the medical condition of any member receiving a disability retirement benefit. Periodic reviews are performed to decide if the member still qualifies for disability retirement. The Board may require the recipient of a disability retirement benefit to undergo a medical examination.

Periodic reviews are performed to decide if the member still qualifies for disability retirement.

If the Board determines the recipient is no longer disabled, the member must be reinstated to the position held immediately before retirement or to a position in the same classification and within the member's capacity, whichever is first available. If the retired

member becomes an active member within 30 days of being notified of reinstatement, the member must be considered to have been continuously employed during the time of the member's disability. (§ 19-13-804 and -805, MCA)

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases: (§ 19-13-804, MCA)

- ❑ The member is no longer totally disabled and is offered a position with the employing city; or
- ❑ The retiree refuses to submit to a medical examination.

Upon notification of a firefighter's eligibility to return to work, the employer may request a medical or psychological review of the ability of the member to return to work. If the Board's findings are upheld, the city must pay the cost of the review. (§ 19-13-805, MCA)

Payment of Disability Allowance

Unless canceled by the Board for reasons described above, the disability benefit will be paid to the disabled firefighter for the rest of their life. Upon the disabled firefighter's death, the benefit will be paid to the surviving spouse or dependent child. This is the same as provided for under a service retirement benefit. (See Death Benefits on the following page.) The member (or survivors) will receive benefit increases, such as the GABA (see pages 27-28 for information on the GABA). (§ 19-13-803, MCA)

Section III: Additional Information

1. Death Benefits

Beneficiaries

Upon your death, your surviving spouse (the person married to you at the time of your death) or, your surviving dependent children (if you have no surviving spouse) are the beneficiaries of your retirement benefit. In the absence of a surviving spouse, the benefit will continue collectively to dependent children, until there are no dependent children. A dependent child is one under the age of 18 years or unmarried, under 24 years of age, and attending an accredited postsecondary educational institution as a full-time student. (§ 19-13-902 and 19-13-903, MCA)

You may also designate one or more beneficiaries when filling out your FURS membership card. If you leave no surviving spouse or dependent child at the time of your death, your designated beneficiary would be eligible to receive any balance in your account. A beneficiary designated may be any person, charitable organization, or trust you wish to name. You must designate beneficiaries on a FURS membership card and give the card to your payroll clerk. The clerk will send the card to us. You may name new beneficiaries by sending us a new membership card. If you are an inactive member, contact us and we will send you a new membership card. (§ 19-2-801 and 19-2-802, MCA)

Keep your designation of beneficiaries current. You may change your beneficiaries only by completing a new membership card.

NOTE: Advise your beneficiary to contact the MPERA for complete details about benefits upon your death.

Death Benefit Claim - Active or Inactive Member

Upon notification of a member's death, we will send a death benefit claim form to your beneficiary. To make a claim for a death benefit, the beneficiary must complete and return the form to the Board along with written proof of the member's death. A copy of the death certificate is the best document to send.

Death After Retirement

Your retirement benefit will continue to be paid to your spouse upon your death. In the event there is no surviving spouse, or upon the death of the surviving spouse, the benefit will continue to be paid to your surviving dependent children. (§ 19-13-704 and 19-13-903, MCA)

Death Prior to Retirement

Upon the death of a member before retirement, the member's surviving spouse, or dependent child, if there is no surviving spouse, will receive benefits as stated below:

- If the member has not completed 20 years of membership service, the benefit will be equal to one-half the member's final average compensation.
- If the member has completed over 20 years of membership service, the survivorship benefit must equal 2.5% of the member's final average compensation for each year of membership service. (§19-13-902, MCA)

2. Benefit Increases

Retirement Benefit Increases

Members with ten or more years of service (or their survivors) not covered under the Guaranteed Annual Benefit Adjustment (GABA) must receive a minimum benefit adjustment. The minimum retirement benefit payment, the disability retirement benefit, or the survivorship benefit may not be less than one-half of the monthly compensation paid in the current fiscal year to a newly confirmed active firefighter in the city or town that last employed the retired member as a firefighter.

If the city last employing the member no longer hires full-paid firefighters, the minimum benefits paid to the member or eligible survivor will be based on the average compensation paid to all newly confirmed full-paid firefighters of cities participating in the system.(§ 19-13-1007, MCA)

Firefighters who were active members of the FURS before July 1, 1997, could choose to be covered under the GABA. Members who chose to be covered under the GABA and those who became active members on or after July 1, 1997, will receive retirement benefit increases under the GABA as explained below. (§ 19-13-1007, MCA)

GABA

The GABA insures a **minimum** increase of 1½% over the previous year. Other increases to your benefit will reduce the amount you get from the GABA. If the other increases are 1½% or more, then you will get no increase from the GABA. (§19-13-1010, MCA)

The GABA applies to:

- Service Retirement
- Disability Retirement
- Survivorship Benefit

Eligibility for GABA Benefits

You must meet some conditions before you will get a raise under the GABA. First, you must receive your benefit for at least 36 months. For example, if you retired on July 1, 1997, you will meet the 36-month requirement on July 1, 2000. You won't receive your first GABA benefit adjustment until January 1, 2001, as explained below. You will not receive a GABA increase if you work in a job covered by any other state of Montana retirement plan.

Effective Date of GABA Benefits

We will apply the GABA increase to your benefit on January first of each year. The monthly increase will begin with your January benefit payment which we will mail to you on the last working day of January.

NOTE:
If you get your benefit by direct deposit to your bank, the transfer takes place on the last working day of January. However, your bank may not add the transfer to your account until the next working day. With direct deposit, you receive your money one or two days sooner than with a paper check through the mail.

3. Taxes on Benefits

Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit that was not taxed during your working career. You paid income tax on any money you contributed before July 1, 1985. Also, you paid the tax on any additional contributions you paid through payroll deductions to buy service before the year 2000. You have not paid taxes on the money you have contributed since July 1, 1985. Nor have you paid taxes on the interest your account earns. If some of your benefit comes from tax-deferred money, you must pay taxes on that part.

Tax Statements

Each year we will send you a Distributions Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the FURS, not just the member. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year. We base withholding rates on current federal and state tax law.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Taxes on Refunds

The tax-deferred portion of a retirement lump-sum refund is subject to state and federal taxes. If you receive the refund, the IRS may assess an additional 10% penalty for early withdrawal. We will also withhold 20% for tax purposes if we send the refund directly to you. Taxable amounts for state and federal taxes may be different. You may avoid paying the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. Rolling over your refund

also allows you to avoid the penalty. If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan. Be prepared to provide the IRS documentation of this reinvestment or roll-over to avoid paying the 10% penalty.

If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan.

Remember, when you receive the refund directly, we must withhold 20% for taxes. The amount withheld may or may not be enough to pay any tax or penalty you may owe. If the IRS assesses a penalty, you must pay it when you file your income taxes. You must provide documentation to the IRS of your reinvestment or "roll-over" of your refund, as described above, to avoid payment of the penalty.

You will receive a Distributions Form (Federal Form 1099R) for the refund. It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099R, you can request a duplicate from us.

4. Assignment of Benefits

In very limited cases, the court may assign your FURS benefit to another person. This includes a Family Law Order (FLO) which must be a judgment, decree or order of a Montana court. It may give all or part of your payment rights to someone else. Courts from other states may also assign your benefit with a Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA, a federal law governing private pension benefits; nor may a Qualified Domestic Relations Order assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

Family Law Order (FLO)

A FLO may require the the FURS to pay all or part of your benefit or refund to another person. That person is an alternate payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay $500 per month until you pay a set sum of $12,000. Or, the FLO may require you to pay 50% of your monthly benefit for as long as you get a benefit.

A FLO may not require the FURS to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the FURS to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the FURS may pay you. (§ 19-2-907 and 19-2-909, MCA)

5. For More Information

If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you get from any other source may be wrong. The MPERA is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event of your death. When you write to the MPERA, please include your full name, printed and signed; Social Security Number; return address; and daytime telephone number. Send your correspondence to:

MPERA
1712 9th Avenue
PO Box 200131
Helena MT 59620-0131

Or, send your questions or comments to our e-mail address:

mpera@state.mt.us

For updated information on the MPERA and to view publications on-line, visit our web site at:

http:www.state.mt.us/doa/perb/perb.htm

We invite you to call or visit the MPERA in Helena. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. You don't need an appointment for general questions; however, to discuss benefit estimates or cost statements, you should make an appointment at least 7 days in advance. Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may have to leave a voice mail message. Be sure to leave your name, telephone number, and Social Security Number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response.**

NOTES

GLOSSARY OF TERMS

ACTIVE MEMBER - a member in a FURS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACTUARIAL COST - the amount determined by the Board which is due from the member to qualify or purchase service into the FURS. The cost is based on actuarial rates derived from an annual evaluation.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract.

BENEFICIARY - the surviving spouse or dependent child is the statutory beneficiary. In the absence of a surviving spouse or dependent child, the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death.

BENEFIT - a service or disability retirement or survivorship provided by the FURS.

COMPENSATION - (1) for full-paid firefighters, the regular remuneration, excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid to a member out of funds controlled by an employer before any deductions are made.

(2)(a) for part-paid firefighters of a city of the second class, 15% of regular remuneration excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid on July 1 of each year to a newly confirmed full-paid firefighter of the city that employs the part-paid firefighter.

(b) if the city does not employ a full-paid firefighter, 15% of the average regular remuneration excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid on July 1 of each year to all newly confirmed, full-paid firefighters employed by cities of the second class.

CREDITED SERVICE or SERVICE CREDIT - the periods in which you contribute the required money to the FURS. The MPERA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.

DEPENDENT CHILD - A child of a deceased member who is unmarried and under 18 years of age, or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

EMPLOYEE - a person employed by a FURS employer in any capacity and the employer pays the person's salary.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

FINAL AVERAGE COMPENSATION - The monthly compensation of a member, averaged over the last 36 months of the member's service or, in the event a member has not been a member that long, over the period of membership.

FIREFIGHTER - a person employed as a full-paid or part-paid firefighter by an employer.

FULL-PAID FIREFIGHTERS - a person employed as a firefighter under §7-33-4106, MCA.

INACTIVE MEMBER - a member who ends FURS-covered employment and does not withdraw his or her FURS account.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with the FURS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month credit for any month you contribute to the FURS. Even if you only work one day during that month. If you contribute anything, you get credit for the whole month.

MINIMUM RETIREMENT DATE - the first day of the month coinciding with or, if none coincides, the date on which a member both becomes age 50 and completes five years of membership service.

PART-PAID FIREFIGHTER—a person employed under §7-33-4109, MCA who receives compensation in excess of $300 a year for service as a firefighter.

REFUND - a withdrawal of all the money in a member's FURS account. By taking a refund, the member gives up all rights to any other benefits from the FURS.

RETIREMENT BENEFIT - the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SERVICE - employment of an employee in a position covered by a retirement system.

SURVIVING SPOUSE - the spouse married to a member at the time of the member's death.

SURVIVOR - a surviving spouse or dependent child of the member.

VESTED MEMBER or VESTED - the status of a member with at least 5 years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

Alternate Accessible Format

The MPERA will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

Write to:

Attn: Lucie Willson
MPERA
PO Box 200131
Helena, MT 59620-0131

You May Contact the MPERA at:

Telephone: 406-444-3154
Toll Free: 877-275-7372
Fax: 406-444-5428
e-mail: mpera@state.mt.us

For more information, contact:

Department of Administration
Personnel Service Section
Phone: 406-444-3871
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